

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2007-280-S

IN RE:)
)
Application of Carolina Water)
Service, Inc. for approval of an expansion)
of its existing sewer service area to)
include certain portions of Lexington)
County adjacent to its Watergate)
Service Area pursuant to contract with)
Harrison Development and approval of)
a bulk sewage treatment and)
service area agreement with the)
Town of Lexington.)
_____)

APPLICATION

Carolina Water Service, Inc. ("Applicant" or "Utility"), pursuant to S.C. Code Ann. §58-5-210 (1976) and Vol. 26 S.C. Code Ann. Regs. RR. 103-501 (1976) and 103-504 (Supp. 2006), hereby applies for an expansion of its authorized sewerage service area to include certain additional portions of Lexington County, South Carolina, adjacent to its existing Watergate Service Area pursuant to contract with Harrison Development and approval of a related bulk sewage treatment and service area agreement with the Town of Lexington ("Town"). In support of this Application, Applicant would respectfully show as follows:

1. Applicant is a public utility currently authorized to operate water and wastewater systems under the jurisdiction of the Commission in Lexington County, as well as the counties of Aiken, Beaufort, Georgetown, Orangeburg, Richland, Sumter, Williamsburg and York. Its corporate charter is presently on file with the Commission and an appropriate bond has been

posted with same. A schedule of rates and charges for Applicant's sewer service has previously been approved by Commission Order No. 2007-230 in Docket No. 2006-92-W/S to be placed into effect under bond, pending resolution of Applicant's petition for rehearing and appeal of Commission Order Number 2006-543 in said docket.

2. Applicant currently provides sewerage service in Lexington County in the Land's End, Spence's Point, Secret Cove and Watergate subdivisions, which are collectively referred to as the "Watergate Service Area". The sewer service area for which expansion is sought (the "Proposed Service Area") is located adjacent to the Utility's Watergate Service Area, includes a portion of an approximately eighty (80) acre tract of land owned by Harrison Development ("Developer") and other areas that are not currently in CWS's authorized territory under the 208 Water Quality Management Plan promulgated by the Central Midlands Council of Governments ("208 Plan"), but are designated under the 208 Plan to be served by the Utility. It is the desire of the Developer that Utility provide sewerage service to the entirety of Developer's 80 acre tract and it is the desire of the Town that Utility provide sewerage service in other portions of the Proposed Service Area, but the Utility's Watergate wastewater treatment facility ("WWTF") presently has no additional treatment capacity. In order to address the desires of the Developer and the Town for the provision of such service by Utility, each has entered into a contract with Utility. Specifically, Utility and Developer have entered into an Agreement For Wastewater Service for a proposed residential subdivision development to be known as Kingston Harbor on Lake Murray ("Proposed Development") dated July 18, 2007, a copy of which is attached hereto and incorporated herein by reference as Exhibit "A" ("Developer Agreement"). Similarly, the Utility and Town have entered into a Bulk Sewage Treatment and Service Area Agreement dated

July 18, 2007, a copy of which is attached hereto and incorporated herein by reference as Exhibit “B” (“Bulk Service Agreement”). The precise location and description of the Proposed Development is set forth in Exhibit 1 to the Developer Agreement and is further described in Schedule 1 hereto.¹ The precise location and description of the Proposed Service Area is set forth as the Exhibit “2” to the Bulk Service Agreement, and is further described in Schedule 2 hereto.

3. The Developer Agreement provides, *inter alia*, that the Developer will (1) construct and convey to Utility all of the necessary wastewater collection and transmission facilities (“Transportation Facilities”) required to serve the Proposed Development and to connect same to certain of the Town’s bulk transmission facilities, (2) acquire and convey to Utility all necessary easements and rights-of-way (“Easements”) for the provision of sewer service to the Proposed Development, and (3) pay to Utility, upon approval of the Developer Agreement by this Commission, tap fees at the rate provided for in Utility’s rate schedule based upon the number of single family equivalents in the Proposed Development, of which there are estimated to be 103. The Developer Agreement further provides that Utility shall reserve adequate capacity to provide sewer collection and transportation service to the Proposed Development. The Developer Agreement is conditioned upon approval of the instant Application by this Commission.

¹Although denominated the “Catawba Trail Subdivision” in the Bulk Service Agreement, the correct name of the Proposed Development is “Kingston Harbour on Lake Murray” as set forth in the Developer Agreement.

4. The Bulk Service Agreement provides, *inter alia*, that the Town will provide bulk sewage treatment service for wastewater flow generated in the Proposed Service Area, including in the Proposed Development, at an initial bulk treatment charge of \$3.45 per thousand gallons of metered wastewater flow, said charge to be effective from the date of interconnection of the Transportation Facilities to the bulk facilities of the Town and not subject to change for a period of one (1) year after such interconnection. Thereafter, the Town's bulk treatment charge may be changed, but may not exceed the lowest bulk treatment charge imposed by the Town on any other bulk customer it may serve.² The provision of bulk sewer service in the portions of the Proposed Service Area beyond the Proposed Development are contingent upon the Town's available bulk treatment capacity. The Bulk Service Agreement is conditioned upon approval of the instant Application by this Commission.

5. The Proposed Service Area is not presently served by any public utility providing sewer service subject to the jurisdiction of this Commission. Moreover, no governmental entity has sewer service facilities in the Proposed Service Area and the Town, as the designated management agency under the 208 Plan, has consented to the Utility's provision of service in the Proposed Service Area.

6. Applicant requests that it be allowed to provide service in the Proposed Service Area pursuant to the terms, conditions, rates and charges set forth in its existing rate schedule (as and to the extent permitted by Commission Order No. 2007-230, and as may be modified as a result of any subsequent rulings on Utility's petition for rehearing of and appeal from

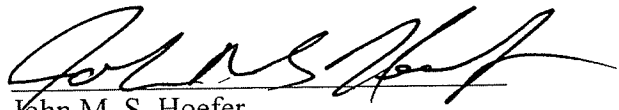
² The Town's proposed bulk treatment charge is the same as that currently charged by the Town to the County of Saluda.

Commission Order Numbers 2006-543) and in accordance with the terms of the Developer Agreement and Bulk Service Agreement.

7. In view of the foregoing, Applicant is informed and believes that the public convenience and necessity will be served by the approval of this Application.

(a) WHEREFORE, having fully set forth its Application, Applicant prays that the Commission grant the requested expansion of its sewer service territory to include the entirety of the Proposed Service Area in accordance with the terms and conditions of the foregoing agreements; that the terms, conditions, rates and charges approved by the Commission for Applicant's currently authorized sewer service territory and in effect from time to time, and as provided for in the agreements, apply to the provision of sewer service in the Proposed Service Area; that, if no intervention is filed, hearing on the within matter be waived or review of the within application be expedited, and that Applicant be granted such other and further relief as the Commission may deem just and proper.

[SIGNATURE PAGE FOLLOWS]



John M. S. Hoefer

Benjamin P. Mustian

WILLOUGHBY & HOEFER, P.A.

Post Office Box 8416

Columbia, SC 29202-8416

803-252-3300

Attorneys for Applicant

Columbia, South Carolina

This 30th day of July, 2007

COUNSEL OF RECORD FOR
THE TOWN OF LEXINGTON

Bradford T. Cunningham, Esquire

Town Attorney

Town of Lexington

Post Office Box 397

Lexington, SC 29072

SCHEDULE 1

All that certain piece, parcel or tract of land, situate, lying and being on or near the waters of Lake Murray, in the County of Lexington, State of South Carolina, containing of 69.48 acres and 10.88 acres for a total of 80.36 acres, more or less, as shown and delineated on a plat prepared for JDH Properties, LLC by Cox and Dinkins, Inc., dated December 12, 2006, last revised February 22, 2007, and recorded in the ROD Office for Lexington County in Book 11802 at Page 164-165. Reference being made to said plat for a more complete and accurate description of metes and bounds, be all measurements a little more or less. Said 10.88 acre tract is bounded on the north by the southern ROW of Catawba Trail; on the east by lands n/f of Homer Roberts Subdivision and lands n/f of Bouye and Owens; on the south by lands n/f of Lexington County; and on the west of lands n/f of Belle Chase Subdivision and lands n/f of Haile. Said 69.48 acre tract is bounded on the south by the northern ROW of Catawba Trail; on the east by lands n/f of Richardson, lands n/f of Jones, lands n/f of Bickel, lands n/f of Satcher, lands n/f of Olving, Trustees, lands n/f of Vaughn and lands or waters n/f of S.C. Electric & Gas Co. and the waters of Lake Murray; on the north by lands or waters n/f of S.C. Electric & Gas Co. and the waters of Lake Murray and lands n/f of Secret Cove Phase IV and Secret Cove Phase IV-C; and on the west by lands n/f Secret Cove Phase IV-A and Secret Cove Phase III, and lands n/f of Lawrence.

DERIVATION: This being the same property conveyed to JDH Properties, LLC by Franklyn D. Owen, III, and Wachovia Bank, N.A., a Co-Trustees of Trust Part B under terms of the Last Will and Testament of Franklyn D. Owen.

TMS: 003400-02-063

SCHEDULE 2

Beginning at a point on the southern ROW of Beechcreek Road where it crosses a creek situated to the west of Warner Woods Road and running south along said creek to western edge of a pond situated to the west of Woodbay Road; thence turning and running southwest along the boundaries of various properties to a point at or near the eastern ROW of Wise Ferry Road; thence turning and running in a southern/southeasterly direction along various property boundaries to the northern ROW of Old Cherokee Road; thence turning and running north along Rollingwood Driver; thence turning and running in a generally easterly direction along the boundaries of various properties to the rear lot lines of various lots situated on the western and southern ROW of Governor's Grant Boulevard; thence turning and running in a generally southerly and southwesterly direction along a creek and the rear lot lines of lots situated on the eastern and southern ROW of Gold Road; thence turning and running south along the rear lot lines of lots situated on the eastern ROW of Platinum Drive to the northern ROW of Old Cherokee Road; thence turning and running east along Old Cherokee Road to Old Hickory Trace Lane; thence turning and running in a northeasterly direction along the rear lot lines of lots situated on the southern and eastern ROW of Farmington Court; thence turning and running in a southeasterly direction along the southern boundary of an irregularly shaped tract of land that is bounded on the south by the northern ROW of Old Cherokee Road; thence turning and running in a generally easterly direction along the northern ROW of Old Cherokee Road to a point which is directly opposite the northwesternmost lot situated on the northern ROW of Vista Springs Circle; thence turning and running from said point on the northern ROW of Old Cherokee Road in a northwesterly direction along the western boundary of two large tracts of land which are bisected by a creek situated west of Old Chapin Road; thence turning and running along the northern boundary of the northernmost and smaller of said two tracts of land and across said creek to a point on the eastern ROW of Old Chapin Road south of its intersection with Yachting Road; thence turning and running south along the eastern ROW of Old Chapin Road to the southern boundary of a flag shaped lot situated northeast of the intersection of Old Chapin Road and Old Cherokee Road; thence turning and running east northeast along the southern boundary of said flag shaped lot to a point on its eastern boundary that is bisected by a creek situated east of Yachting Road; thence turning and running in a northwesterly direction along said creek and the eastern boundary of said flag shaped lot to a point on the southern boundary of an irregularly shaped tract that is situated on the southern ROW of Catawba Trail; thence turning and running along the southern boundary of said tract and an adjoining tract to a point on the southern ROW of Catawba Trail; thence turning and running in a southerly and southeasterly direction along the southwestern boundary of lands n/f JDH Properties, LLC consisting of 80 acres \pm ; thence turning and running in a northeasterly direction along the eastern boundary of lands n/f JDH Properties, LLC situated on the western ROW of Catawba Court to the shore of Lake Murray; thence running along the southern shore of Lake Murray to the point of beginning.

AGREEMENT FOR WASTEWATER SERVICE
KINGSTON HARBOUR ON LAKE MURRAY SUBDIVISION
LEXINGTON COUNTY, SC

This Agreement is entered into this 18th day of July, 2007 by and between Harrison Development, (hereinafter referred to as "Developer"), and Carolina Water Service, Inc., a Delaware corporation authorized to do business in South Carolina (hereinafter referred to as "Utility").

WITNESSETH

WHEREAS, the Developer is the owner of a certain real estate parcel containing approximately 80 acres (Tax Parcel No. 003400-02-063) located off Catawba Trail, in Lexington County, South Carolina, hereinafter referred to as the "Property" (see "Exhibit 1"); and,

WHEREAS, Developer desires to develop the Property into a residential development to be called "Kingston Harbour on Lake Murray Subdivision," which will contain approximately one hundred three (103) single family homes when completed; and,

WHEREAS, Utility is a public utility engaged in the business of furnishing sewer service to the public in various locations in Lexington County; and

WHEREAS, CWS has entered into a Bulk Sewage Treatment and Service Area Agreement with the Town of Lexington (hereinafter referred to as "Town") who was authorized to provide sewer utility service for certain areas of Lexington County in accordance with provisions of the "208 Water Quality Management Plan" adopted March 25, 2004 ("208 Plan") promulgated by the Central Midlands Council of Governments ("Town Management Area"), as shown on Exhibit 2 attached hereto and incorporated herein by this reference and Property is located within this area. The Utility desires to have constructed and installed, and the Developer desires to construct and install, the wastewater collection facilities to serve the Property subject to the terms and conditions of this Agreement; and,

WHEREAS, Developer desires Utility to provide wastewater utility service within the Property and Utility desires to provide wastewater utility service subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants as hereinafter set forth, the parties hereto agree as follows:

COPY

ARTICLE I

Representations and Warranties of Developer

Developer represents and warrants that:

1. Developer is the owner of or is duly authorized to act on behalf of the owner(s) of the Property; and,
2. Developer will cooperate fully with the Utility in any and all applications or petitions to public authorities deemed necessary or desirable by Utility in connection with the construction and installation of the Facilities contemplated by this Agreement; and,
3. Developer will convey to the Utility or otherwise vest in the Utility such right, title and interest in and to such real estate as may be reasonably necessary to permit the Utility to carry out the terms and conditions of this Agreement; and,
4. Developer will convey to Utility or provide by recorded subdivision plats such easements or rights of way as the Utility may reasonably require for the Utility's performance of its obligations under this Agreement. Any such plats, conveyances or licenses will be in form reasonably satisfactory to Utility's legal counsel.

ARTICLE II

Obligations and Construction of Facilities by Developer

1. Facilities

Developer shall construct and install all necessary wastewater collection facilities to serve the Property, including but not limited to mains, service laterals, Elder valves, manholes, lift stations (with stationary diesel or natural gas powered generator), odor control devices, and other facilities as are reasonably required to provide adequate wastewater service (herein referred to as the "Facilities"). Wastewater collection mains will have a minimum diameter of eight (8) inches, except where otherwise approved by Utility. Developer shall interconnect the Facilities to the Town's existing wastewater system along Catawba Trail and Power Pointe Lane at a point as determined by the Town and approved by Utility.

2. All materials used by the Developer for said Facilities shall be new, first-class, and suitable for the uses made thereof. Developer guarantees all construction, materials,

workmanship, and the trouble-free operation of the Facilities (or any portion of the Facilities) for one year after the Facilities (or such portion of the Facilities) are placed in service.

3. All Facilities constructed and installed by Developer pursuant to this Article II shall be constructed and installed without cost or expense to Utility.
4. All plans, specifications and construction of the Facilities shall be in accordance with applicable standards, requirements, rules and regulations of all governmental bodies and regulatory agencies which may have jurisdiction thereover, and shall have received the written approval of Utility before construction is begun, which approval shall not be unreasonably withheld or delayed.
5. Developer shall save and hold Utility harmless from and against all suits or claims that may be based upon any injury to any person or property that may occur in the course of the performance of the construction of the Facilities by Developer or by anyone acting on Developer's behalf, or under Developer's supervision and control, including but not limited to claims made by employees of Developer, and Developer shall, at its own cost and expense, pay all costs and other expenses arising therefrom, or incurred in connection therewith, including reasonable attorneys' fees.
6. Developer shall obtain, with cooperation from Utility, all requisite permits and zoning and other approvals and all else required to construct the Facilities.
7. All of the Facilities installed by Developer pursuant to this Agreement shall become the property of Utility as installed, without cost or expense to Utility, with the exception of the service laterals for which each residential unit shall retain ownership and maintenance responsibility. Developer shall execute all conveyances, licenses and other documents reasonably requested by Utility as necessary or desirable in its opinion to ensure its ownership of, ready access to, and operation and maintenance of the Facilities.
8. Developer shall furnish Utility with lien waivers in a form reasonably satisfactory to Utility's counsel from Developer and from all suppliers, subcontractors and all other who furnish labor, equipment, materials, rentals, or who perform any services in connection with Facilities construction herein.

9. Developer agrees to provide to Utility documentary evidence, in form satisfactory to Utility, sufficient to establish the original cost of the Facilities. Utility shall have, at all times, all right, title and interest in and to the Facilities.
10. Developer shall not have the right to connect individual lot service connections to the Facilities until such time as the Facilities have been formally accepted by the Utility, written approvals have been received from all governmental bodies and regulatory agencies which may have jurisdiction thereover, and all applicable connection fees have been paid.
11. All connections must be inspected by the Utility prior to backfilling and covering of any pipes. Written notice to the Utility requesting an inspection of a connection shall be made at least forty-eight (48) hours in advance of the inspection, excluding weekends and official Utility holidays.
12. Should the Developer fail to comply with the foregoing inspection provisions, Utility may refuse service to a connection until such time as the appropriate inspections have been completed.
13. Developer shall, prior to the transfer to Utility of the Facilities, grant permanent, assignable easements satisfactory to Utility, without cost or expense to Utility, authorizing Utility to own, operate and maintain the Facilities throughout the Property and providing reasonably adequate rights of access and working space for such purposes.
14. Developer shall, upon transfer to Utility of the Facilities, provide to Utility as-built drawings (by both hard copy and electronic copy), permits, and all other information reasonably required to operate, maintain, and repair the Facilities. *Col. [Signature]*
15. Developer shall submit to Utility upon ~~execution~~ *Approval by the Public Service Commission* of this Agreement a Plan Review Fee of three hundred dollars (\$300) for each phase of the development. Developer shall, prior to the final acceptance of each development phase, or portions thereof, submit to Utility a one hundred fifty dollar (\$150) Inspection Fee. Should the Facilities require additional inspection(s) due to improper installation, defective or unapproved materials, the Developer shall pay one hundred fifty dollars (\$150) for each additional inspection required. *7/11/07*

16. Upon Developer's satisfaction of its obligations under this Agreement and the Bulk Sewer Service Agreement with the Town, Utility agrees to reserve adequate utility capacity for up to 103 wastewater connections located within the Property.
17. Developer shall pay and deliver to Utility upon ~~the execution~~ of this Agreement the sum of money which is the non-recurring service connection and impact fees ("Tap Fees") provided for under Utility's rate schedule, as may be approved by the Public Service Commission of South Carolina and in effect from time to time, multiplied by the Single Family Equivalent ("SFE") rating set forth therein. For the project which is the subject of this Agreement, that sum shall be Seventy-two thousand one hundred dollars and NO/100s (\$72,100.00), which is based upon an estimated 103 SFEs and the Utility's current rate schedule. Should it be determined that the project contemplated by this Agreement consists of a greater number of SFEs than is estimated hereinabove, then and in that event Developer shall be required to pay an additional sum to Utility for each additional SFE using the calculation provided for hereinabove. In addition Developer agrees that it will not represent to any third party that utility service is available from Utility for use within the proposed development except (1) upon Developer's payment of the Tap Fees as provided hereinabove, and (2) establishment of service and an account between said third party and Utility, including payment of all fees and charges authorized under the Utility's approved rate schedule excepting tap fees.

ARTICLE III

Representations and Warranties of Developer

1. Neither Developer nor any entity or individual affiliated with Developer has executed or will execute any agreement with any lot purchaser in the Property, or any other parties or made any representations to any such purchasers or other parties whereunder such purchaser or other parties have acquired any interest in Facilities to be installed under this Agreement.

ARTICLE IV

Utility Services, Connection Fees, Rates and Charges

1. Prior to the commencement of utility service, lot owners within the Property are

responsible for the payment to Utility of all applicable fees, as well as the appropriate Town of Lexington sewer tap-on or service fees at the rate as in effect from time to time prior to the provision of utility service to any lot within the Property. Such fees, usage and all other incidental rates and charges shall be rendered by Utility in accordance with Utility's rates, rules and regulations and conditions of service on file with the South Carolina Public Service Commission (the "Commission") from time to time and then in effect. Capacity shall not be reserved for any lots for which the tap fee has not been paid.

2. Upon installation and acceptance of the Facilities and payment of all applicable connection fees, Utility agrees to supply all customers within the Property with adequate and customary wastewater service and to operate, maintain and repair all Facilities as indicated herein, after acceptance by Utility and issuance of operational approvals by all regulatory authorities.

ARTICLE V

Commission Approval

1. Within thirty (30) days following the execution of this Agreement, Utility will file a petition with the Commission requesting approval of this Agreement, if necessary. All terms and conditions contained herein are subject to Utility receiving said approval from the Commission.
2. This Agreement is also contingent upon approval by the Commission of the Bulk Sewage Treatment and Service Area Agreement with the Town, which will be submitted to the Commission at the same time the within Agreement would be required to be submitted.

ARTICLE VI

General

1. Except as provided in this Agreement, neither party to this Agreement shall be liable to the other for failure, default or delay in performing any of its obligations hereunder, if such failure, default or delay is caused by strikes or other labor problems, by forces of nature, unavoidable accident, fire, acts of the public enemy, interference by civil authorities, acts or failure to act, decisions or orders or regulations of any governmental

or military body or agency, office or commission, delays in receipt of materials, or any other cause, whether of similar or dissimilar nature, not within the control of the party affected and which, by the exercise of due diligence, such party is unable to prevent or overcome, except as otherwise provided for herein. Should any of the foregoing events occur, the parties hereto agree to proceed with diligence to do what is reasonable and necessary so that each party may perform its obligations under this Agreement.

2. The failure of either party hereto to enforce any of the provisions of this Agreement or the waiver thereof in any instance by either party shall not be construed as a general waiver or relinquishment on its part of any such provisions, but the same shall, nevertheless, be and remain in full force and effect.
3. The representations, warranties and agreements contained herein shall survive, and continue in effect. Utility agrees to indemnify Developer, its successors and assigns, and hold Developer harmless against any loss, damage, liability, expense or cost accruing or resulting from any misrepresentations or breach of any representation, warranty or agreement on the part of Utility under this Agreement. Developer agrees to indemnify Utility, its successors and assigns, and hold it and them harmless against any loss, damage, liability, expense or cost of Utility, accruing or resulting from any misrepresentation or breach of any representation, warranty or agreement on the part of Developer under this Agreement or from any misrepresentation in or material omission from any certificate or other document furnished or to be furnished to Utility by Developer.
4. This Agreement sets forth the complete understanding between Developer and Utility, and any amendments hereto to be effective must be made in writing.
5. Notices, correspondence and invoicing required hereunder shall be given to Developer and to Utility at the following addresses, or at any other addresses designated in writing by either party subsequent to the date hereof:

If to Utility:

Carolina Water Service, Inc.
2335 Sanders Road
Northbrook, Illinois 60062
Attn: Ms. Lisa Crossett
Chief Operating Officer

If to Developer:


Harrison Development
2720 Highway 25 South
Greenwood, South Carolina 29646
Attn: Mr. Hilton L. Dodgen, Jr.

Delivery when made by registered or certified mail shall be deemed complete upon mailing. Delivery by overnight courier shall be deemed complete when delivered.

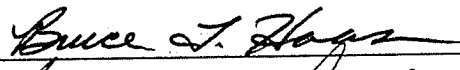
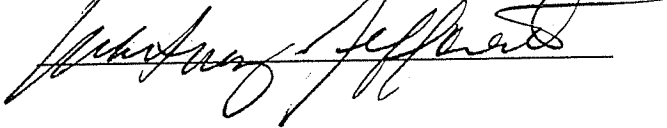
6. This Agreement may not be assigned by Developer without the written approval of Utility, which approval shall not be unreasonably withheld. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.
7. This Agreement shall be governed by the laws of the State of South Carolina.
8. If this Agreement is not executed prior to **August 01, 2007**, then the terms and conditions contained herein will be waived, with no further obligations or responsibilities to either party.

IN WITNESS WHEREOF, the parties hereto have set their seals the day and year above first written.

Carolina Water Service, Inc

By: 
Its: VICE - PRESIDENT

Witness/Attest:

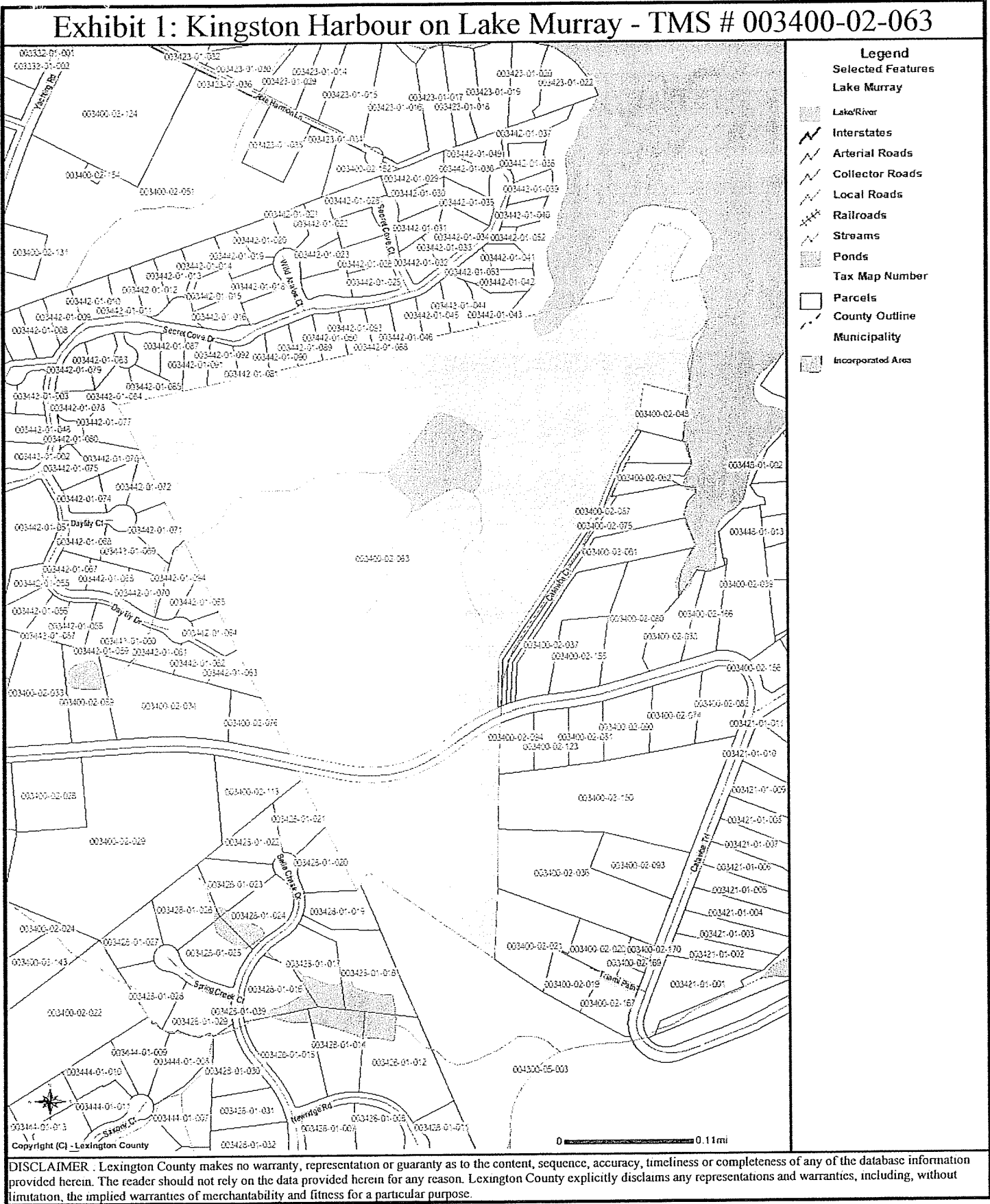



HARRISON DEVELOPMENT

By: John D. Harrison, Jr.
Its: OWNER 7/11/07

Witness/Attest:

Hilton L. Dozger II
Cindy Barbara



BULK SEWAGE TREATMENT AND SERVICE AREA AGREEMENT

COPIES

2

WHEREAS, certain real property proposed to be developed as the Catawba Trail Subdivision is partially situated within the Town Management Area and partially within the CWS Area, also as shown on Exhibit 1 ("Subdivision"); and

WHEREAS, the developer of the Subdivision has requested that CWS provide service to the Subdivision, including the portion of same that is not within the CWS Area, also as shown on Exhibit 1; and

WHEREAS, CWS desires and is willing to provide sewer service to the Subdivision and to the other portions of the Town Management Area not currently within the CWS Area, as shown on Exhibit 1; and

WHEREAS, the Watergate System does not have sufficient treatment capacity for CWS to treat the additional wastewater flow which would be generated in the Subdivision and in other parts of the Town Management Area not within the CWS Area and CWS will therefore require bulk sewage treatment service for that purpose; and

WHEREAS, the Town is capable of providing bulk sewer treatment service to CWS for the purposes described hereinabove; and

WHEREAS, the Town is willing to charge CWS for bulk sewage treatment service in a manner equal to and uniform with the manner it charges other bulk service customers of the Town; and

WHEREAS, in the event that CWS is unable to obtain the necessary governmental approvals to provide service in the areas contemplated herein, the Town would be willing to acquire from CWS the right to serve the Subdivision under certain terms and conditions as set forth below.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants set forth hereinafter, CWS and the Town agree as follows:

Section I.

Terms and Conditions of Service

1. Town agrees to provide bulk sewage treatment service to CWS for wastewater flow generated in the Subdivision and in the other portions of the Town Management Area not now within the CWS Area ("Bulk Service Area") as is shown on Exhibit 2 attached hereto and incorporated herein by reference. The initial charge for this bulk sewage treatment service shall be \$3.45 per thousand gallons of sewage as metered by the Town through a single, mutually acceptable master meter to be purchased and installed by or on behalf of CWS and at no expense to the Town at a mutually acceptable location. This master meter shall, at all times, be subject to applicable standards for operation, maintenance, and accuracy. This rate is the most favorable bulk rate provided by the Town to its other existing bulk customer, Saluda County. This rate shall be available for a period of one (1) full year from the date of interconnection of the CWS collection and transportation facilities with the Town's transportation facilities, but is subject to change by the Town thereafter pursuant to such procedures as may be binding upon it. Notwithstanding anything contained herein to the contrary, CWS shall not be charged a rate in excess of the lowest rate made available by the Town to any other bulk sewer customer. The Town shall be entitled to provide its bulk service to CWS utilizing wastewater treatment facilities owned by the Town or utilizing bulk treatment services of third party providers. The Town represents and warrants that it is currently capable of providing bulk treatment service to CWS for the Subdivision. It is acknowledged and understood, however, that the availability of

bulk treatment service for other parts of the Bulk Service Area is dependent upon the Town's existing, or ability to acquire additional, bulk treatment capacity.

2. The charge provided for in Section I.1, shall be paid by CWS to Town monthly, based upon a monthly sewage master meter reading taken by Town. Payment shall be due within thirty (30) days following written notification by Town to CWS regarding its monthly determination of sewage flow through the master meter.

3. CWS shall, at its expense, transport sewage from the Bulk Service Area to the master meter to the Town for further transportation and for treatment.

4. CWS shall, at its expense, maintain such collection lines, pumping stations, transportation lines or mains, and any and all other facilities required to transport the sewage from the Bulk Service Area to the master meter in accordance with the rules and regulations of the South Carolina Department of Health and Environmental Control and all other governmental agencies having jurisdiction over such collection and transportation.

5. The Town will maintain and operate the master meter and its transportation system and will provide sewage treatment in accordance with the rules and regulations of the South Carolina Department of Health and Environmental Control and all other governmental agencies having jurisdiction over such transportation and treatment.

6. As detailed plans are submitted to CWS by developers for sewage facilities proposed to be constructed for sewage service in the Bulk Service Area, CWS shall forward a copy of these drawings for the Town's review and approval. This approval will not be unduly withheld and the Town will complete this review process within 30 days of submission of the required documentation by CWS.

7. The Town shall monthly submit to CWS, and at such other times as the Town and CWS shall agree, reports showing the volume of sewage flow, measured in gallons, as recorded by the master meter as provided in Section I.1 above. CWS shall have the right of access at all reasonable times to observe, examine, and inspect the master meter. CWS shall also have the right to inspect at reasonable times, all books, records, and other information related to bulk sewage flow received by the Town and bulk sewage service charges imposed by the Town therefor.

8. CWS shall construct, or cause to be constructed, at no cost to the Town, the interconnection of CWS's facilities in the Bulk Service Area to the Town's master meter. This connection shall be subject to supervision, inspection and approval by the Town. The Town agrees that there will be no 'tap fees' or similar charges due from CWS to the Town at the time of interconnection, but that CWS shall collect and pay to the Town any tap fees due the Town from customers in the Bulk Service Area at such time as they establish service with and from CWS.

9. The CWS collection and transportation system serving the Bulk Service Area shall at all times be maintained, operated, and kept in a state of repair which shall meet all rules and regulations of the South Carolina Department of Health and Environmental Control and all other governmental entities having jurisdiction over it.

10. CWS shall be solely responsible for collecting all charges or fees attributable to service within the Bulk Service Area. Its failure to collect any service charges or fees shall not relieve CWS from paying to the Town the monthly charges set forth in this Agreement.

Section II.

Rates and South Carolina Public Service Commission Approval

1. The parties acknowledge that CWS will charge its customers for service under CWS's rate schedule approved by the South Carolina Public Service Commission ("SCPSC") and in effect from time to time, including provisions authorizing CWS to pass-through to its customers on a pro rata basis without markup the costs to CWS of receiving the Town's bulk sewage service, including the per gallon charge and any tap or similar fees imposed by the Town and described above. The parties further acknowledge that the terms and conditions of this Agreement must be approved by the SCPSC, including but not limited to, approval of service by CWS in the Bulk Service Area.

2. The Town agrees to actively participate and cooperate with CWS to secure SCPSC approval of the within Agreement.

3. It is understood by the parties that if SCPSC refuses to grant the necessary approvals for CWS to provide service in the Bulk Service Area in accordance with the terms and conditions hereof, then CWS shall have no obligation to accept, and the Town no obligation to provide, bulk sewage service in the Bulk Service Area. In that event, the Town may then proceed with acquiring the right to provide retail sewage service in the Subdivision in accordance with the terms and conditions of Section IV hereinbelow.

4. Notwithstanding anything contained herein, this Agreement shall not constitute an agreement or offer on the part of CWS to provide sewage service. The parties acknowledge and agree that the provision of sewer service by CWS shall be subject to separate agreement between

CWS and any person or entity desiring service in the Bulk Service Area, including any property owner, real estate developer, contractor or potential customer.

Section III.

General Provisions

1. In the event CWS disputes the accuracy of any master meter reading, it must notify the Town within thirty (30) days of receipt of a billing by the Town. Upon receipt of such notification by CWS, the Town will promptly undertake to ascertain, through appropriate calibration testing, whether the master meter is functioning properly in accordance with manufacturer standards and specifications. All master meter readings not disputed within thirty (30) days of CWS's receipt of a billing by the Town are final and not subject to any dispute. In the event CWS timely disputes a billing by the Town, it shall pay to the Town the disputed amount billed unless other mutually agreeable arrangements are made between the parties. If it is determined that the billing is in error, then CWS will be reimbursed by the Town for any difference within thirty (30) days of such a determination. If it is determined that the Town's master meter is not working properly, the Town will be responsible for any repair or replacement costs. In the event of any unresolved dispute concerning the master meter performance, the parties agree to select a mutually acceptable independent testing company qualified to perform appropriate tests on the master meter. The decision of this mutually-selected testing company the master meter performance shall be final and binding upon the parties. If the master meter is determined to be accurate within tolerance ranges acceptable within the utility industry or to utility regulators, then CWS will pay the testing costs. If the master meter is determined to be inaccurate or outside the tolerance ranges, then the Town shall pay for the testing costs.

2. Any notice to be given to any party shall be by certified mail to the addresses shown below. These addresses may be changed by either party giving proper written notice to the other:

Town:
Town of Lexington
Post Office Box 397
Lexington, South Carolina 29071
Attn: T. Randall Halfacre, Mayor

CWS:
Carolina Water Service, Inc.
Attn: Ms. Lisa Crossett
Vice President and Chief Operating Officer
2335 Sanders Road
Northbrook, IL 60062

with a copy to:
Mr. Bruce T. Haas
Regional Director
Carolina Water Service, Inc.
P.O. Box 4509
West Columbia, SC 29171-4509

Delivery when made by registered or certified mail shall be deemed complete upon mailing.

Delivery by overnight courier shall be deemed complete when delivered.

3. This Agreement is effective for twenty (20) years commencing on the date upon which bulk sewage commences flowing through the master meter.

4. This Agreement may be assigned by either party upon written notice to the other party. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

5. If either party materially fails or defaults in keeping, performing, or abiding by these Agreement terms and provisions, then the non-defaulting party shall give written notice to the defaulting party specifying the nature of the default. If the defaulting party does not cure the

default within thirty (30) days after the date of written notice, then this Agreement, at the option of the non-defaulting party, shall terminate. Neither party shall be relieved of liability to the other for damages sustained by virtue of any party wrongfully exercising this provision. This paragraph is not intended to replace any other legal or equitable remedies available to any non-defaulting party under South Carolina law, but it is in addition thereto.

6. Except as provided in this Agreement, neither party to this Agreement shall be liable to the other for failure, default or delay in performing any of its obligations hereunder, if such failure, default or delay is caused by strikes or other labor problems, by forces of nature, unavoidable accident, fire, acts of the public enemy, interference by civil authorities, acts or failure to act, decisions or orders or regulations of any governmental or military body or agency, office or commission, delays in receipt of materials, or any other cause, whether of similar or dissimilar nature, not within the control of the party affected and which, by the exercise of due diligence, such party is unable to prevent or overcome, except as otherwise provided for herein. Should any of the foregoing events occur, the parties hereto agree to proceed with diligence to do what is reasonable and necessary so that each party may perform its obligations under this Agreement.

7. The failure of either party hereto to enforce any of the provisions of this Agreement or the waiver thereof in any instance by either party shall not be construed as a general waiver or relinquishment on its part of any such provisions, but the same shall, nevertheless, be and remain in full force and effect.

8. This Agreement sets forth the complete understanding between CWS and the Town and no prior agreements or communications, whether oral or written, shall be deemed a part hereof. Any amendments hereto to be effective must be made in writing and signed by the

parties hereto.

9. This Agreement shall be governed by the laws of the State of South Carolina.

10. If this Agreement is not executed prior to August 15, 2007, then the terms and conditions contained herein will be waived, with no further obligations or responsibilities to either party.

Section IV

Acquisition of CWS Taps Within the Subdivision

1. Should the SCPSC fail to grant the approvals required under Section II hereinabove, the Town shall become entitled to serve customers in the Subdivision upon satisfaction of the remaining terms and conditions of this Section IV.

2. The Town shall pay to CWS the sum of One Thousand Seven Hundred Fifty and no/100ths (\$1,750.00) Dollars for each person or entity who becomes a customer of the Town in the Subdivision. This figure represents one-half (1/2) of the Capital Contribution Fee ("CCF") that the Town currently imposes upon new sewer customers connecting to the Town's sewer system. Should the Town increase its CCF, the amount due to CWS hereunder shall increase proportionately.

3. The Town shall pay the foregoing sum to CWS as and when it receives a CCF for sewage service to a person or entity in the Subdivision.

[Signatures to begin on the following page.]

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be duly executed and have been duly authorized by their respective governing bodies on the date above first written.

Town of Lexington

James W. Duckett, Jr.
By: James W. Duckett, Jr.
Its: Administrator

Witness/Attest:

1) Suey Hilbrand
2) Paul Runniger

Carolina Water Service, Inc.

Carl Daniel
By: Carl Daniel
Its: Vice President

Witness/Attest:

1) Bruce J. Hoas
2) Anthony J. Hout

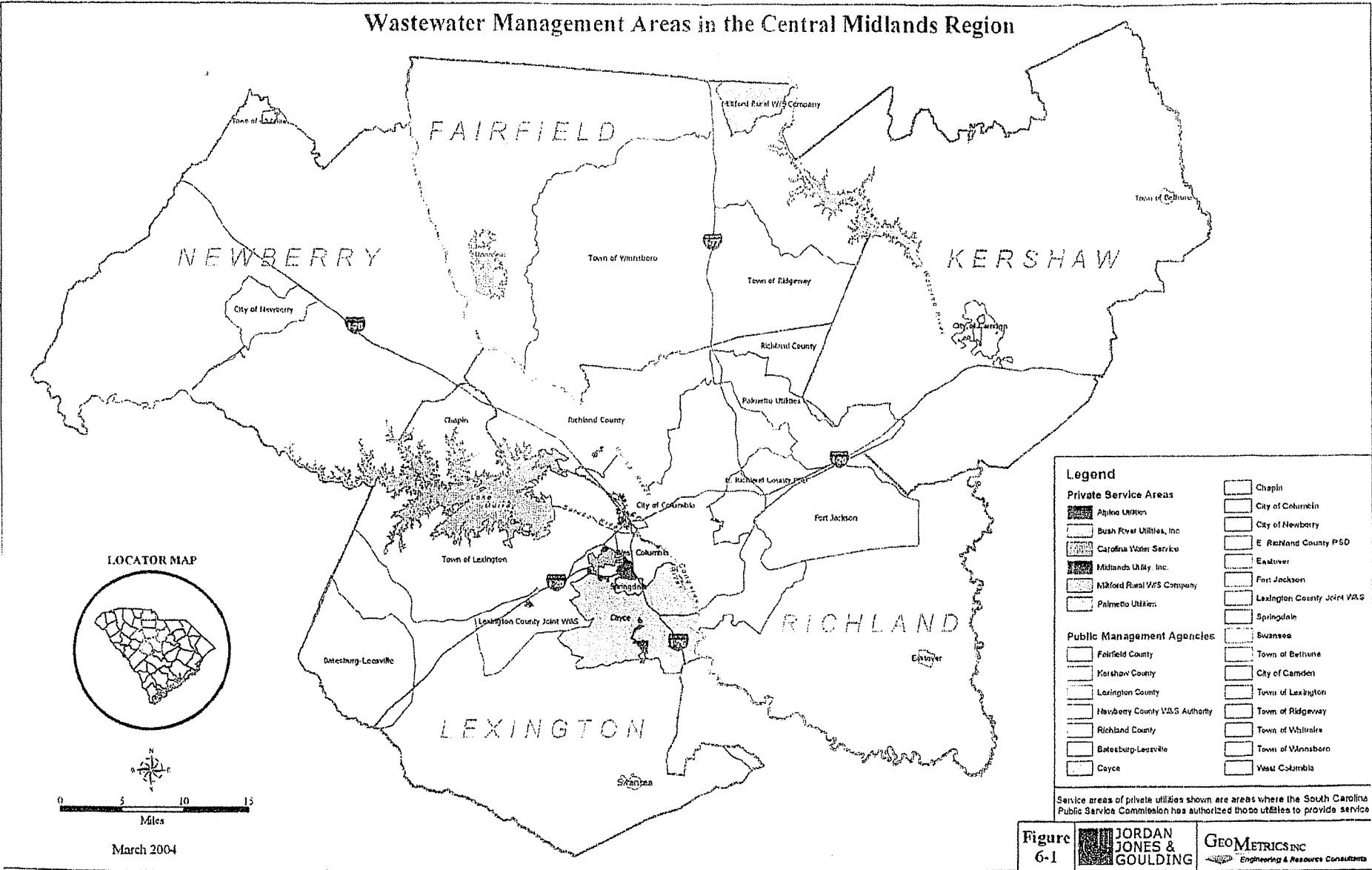
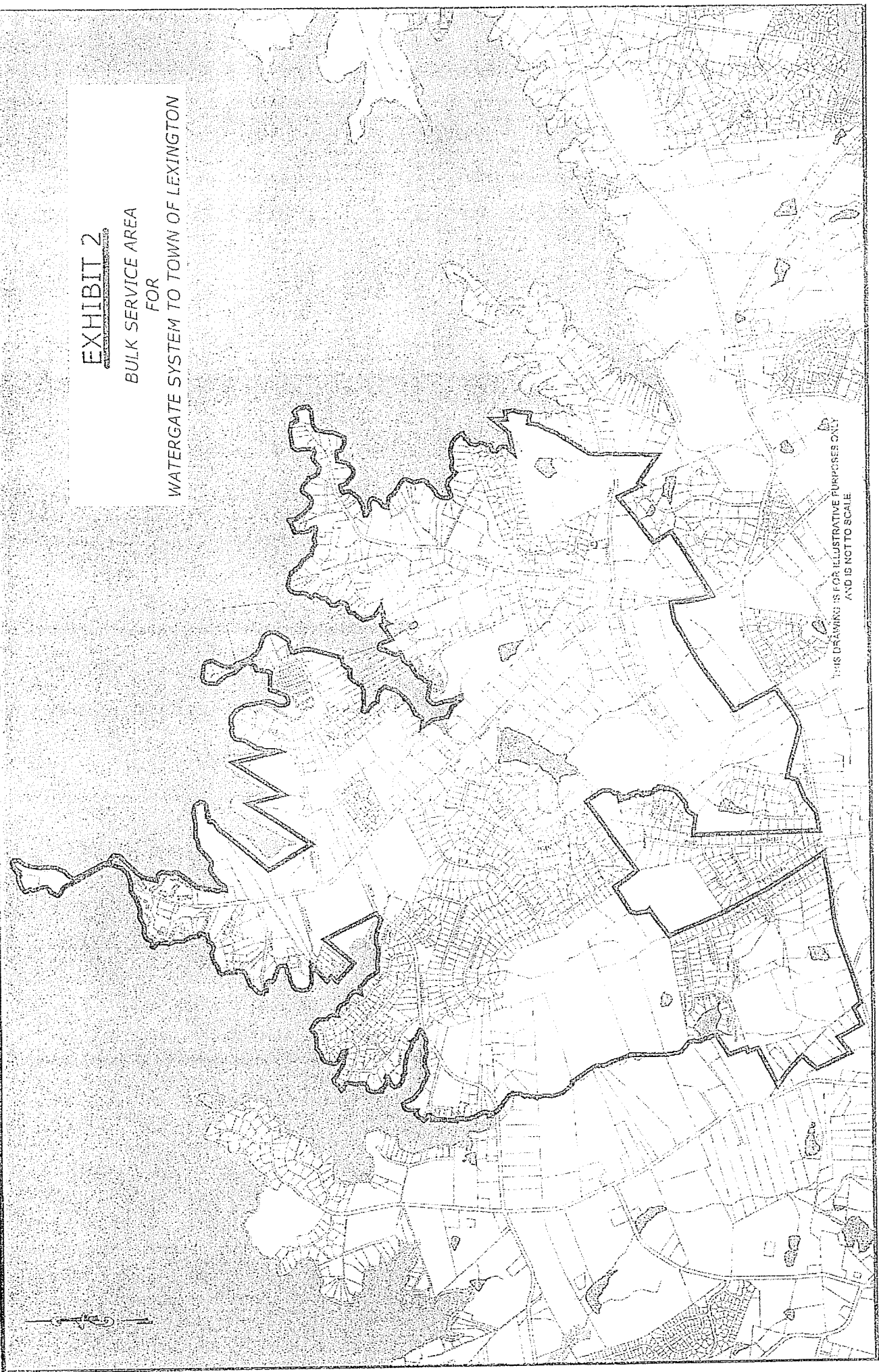


EXHIBIT 2
BULK SERVICE AREA
FOR
WATERGATE SYSTEM TO TOWN OF LEXINGTON



CAROLINA WATER SERVICE, INC.

AN AFFILIATE OF
UTILITIES, INC.

Regional Office:

110 Queen Parkway
P.O. Drawer 4509
Cayce-West Columbia, SC 29171-4509
Telephone: 803/796-9545
1-800-367-4314
Fax Number: 803/791-8643

Wednesday, July 18, 2007

James W. Duckett, Jr.
Town Administrator
Town of Lexington
Post Office Box 397
Lexington, SC 29071

RE: Bulk Sewage Treatment and Service Area Agreement
Lexington County, SC

Dear Mr. Duckett:

Enclosed please find one (1) fully-executed original and one copy of the Bulk Sewage Treatment and Service Area Agreement with the Town of Lexington, Lexington County, SC for your files.

Should you have any questions, please feel free to contact me.

Sincerely,



for Bruce T. Haas
Regional Director

Enclosures

cc: Carl Daniel, Regional Vice President
John Hoefer, Esquire
Dana Reeder
Tony Ellinger